

## **CSR Practices in Food and Beverage Companies During Pandemic**

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### **ABSTRACT**

The covid-19 pandemic affects businesses facing the dilemma between the company's health and risks. This study aims to investigate the practice of CSR of food and beverage companies in Malang on the economic and social dimensions before and during the pandemic. The survey was conducted by distributing questionnaires directly to the managers or owners of the companies. Thirty questionnaires were descriptively analyzed. The results of this study indicate that some companies in Malang increase their CSR quality during the pandemic, such as by adding CSR quantity, implementing health protocols inside their restaurants, maintaining product cleanliness, giving more attention to employees' health, and increasing more alms by distributing masks and vitamins to customers and the public.

**Keywords:** Covid-19, CSR Practices, Food and Beverage Companies

### **INTRODUCTION**

An increase in the transmission of the Covid-19 virus has prompted the Indonesian Government to establish a Large-Scale Social Restriction (PSBB) policy as an effort to break the chain of the Covid-19 spread. This urges the public to comply with health protocols by implementing physical distancing and self-quarantine to prevent the virus transmission. This policy has raised conflicts in several activities such as religious activities, learning, commerce, and other activities that involve crowds of people. This also has brought major impacts on the national and global economy.

As stated by Triana, Sulastri, & Humaedi (2020) mentioned the results of the IMF report that the Covid-19 pandemic has caused Indonesia's economic growth to slow down by 2%, increased the poverty rate from 8.9% to 10%, and increased the unemployment rate to 3.7 million due to abundance layoffs. The pandemic has also caused a decline in production, demand, and pressure on various industrial sectors. However, the Large-Scale Social Restriction Policy (PSBB) implemented in Indonesia has side effects causing social inequality in the community.

To minimize the inequality in the social sector, the Covid-19 pandemic becomes an opportunity for companies to contribute through their Corporate Social Responsibility (CSR) programs. The programs could build strong relationships between the companies and the community as well as other stakeholders and increase the companies' credibility. This also implies that the problem solving of the pandemic is not only the responsibility of the government, but also the stakeholders, such as the community, social organizations, and companies. As stated by Sari (2020), the Covid-19 pandemic has

made people feel dependent on one another by bringing up problem-solving collectively, not by the government.

The optimization of CSR disclosure is one form of Indonesia's commitment to realizing Sustainable Development Goals (SDGs) in 2030. CSR is a form of activity that aims to improve the quality of community life through the increase of human resources in adapting to their social conditions, utilizing and maintaining the environment. Bouten & Everaert (2014) stated that companies seek to accommodate the increase of sustainability awareness through CSR reporting practices. Referring to the triple bottom line principle, companies are required to disclose not only their financial performance or maximize profit but also their social and environmental performance. Companies are entities obliged to carry out cultural adaptation with their social environment.

CSR is an ongoing commitment to act ethically and contribute to broad economic development by increasing the living standard of workers and their families. CSR disclosure is a mechanism to communicate the companies with the stakeholders. The fundamental problems frequently arising regarding the distribution and management of CSR in Indonesia are (1) the clarity of how a company should implement its CSR program, whether it is managed directly or implemented by a third party, (2) how the CSR program process is carried out, and (3) how to synergize each activity in implementing as well as channeling CSR in such a way that the community can directly experience the benefits of the CSR programs. Environmental damage and increasingly severe social disparities have encouraged business actors to make reflections on efforts to preserve the environment for nature as a dynamic entity in the practice of equitable development (Saraswati, 2017).

On the basis of CSR's role in helping the community affected by the pandemic, this study aims to investigate the CSR practice, especially in food and beverage companies in Malang. The food and beverage companies seem to have to do CSR since they not only distribute aid to the community but also need to implement the health protocols during the business operational. This study provides an overview of the differences in CSR practices before the Covid-19 pandemic (in 2018 and 2019) and during the Covid-19 pandemic (2020) on the economic and social dimensions.

One underlying theory of CSR is stakeholder theory. CSR expands the company's liabilities, in which the company's obligations are not only for investors and creditors as providers of capital but also for other broader stakeholders (Rahmawati & Dianita, 2011). This theory is different from the shareholder theory which emphasizes shareholders only (Jonall, 2012).

CSR involves ethical aspects in which the company should have an obligation to meet the needs of a wider community (Jamali & Mirshak, 2006). It implies the company has to report CSR activities about achieving economic, environmental, and social performance to stakeholders (Saleh, 2009; Tilt, 2009). These many kinds of performances can contribute to economic development and society in general (Zvezdov, 2012). CSR should not only affect the company but also the community (Putera, Sukotjo, Dharmawati, & Mokodompit, 2020). A sustainable CSR program shapes and creates a more prosperous and independent life of the community (Distiwati, Wardhana, & Handayati, 2021).

The reasons for implementing CSR can be divided into three, (1) the pragmatic reasons for companies to gain competitive advantage, (2) deontological reasons to satisfy social needs, and (3) social pressure in which people expect companies to be involved in solving social problems (Iamandi, 2007). CSR activities are often seen as activities to improve the company's image and short-term profits. However, recent research has shown that activities that support sustainability can contribute to the company's long-term success (Zvezdov, 2012).

The covid-19 pandemic affects businesses. It poses a difficult dilemma between the company's health and risks during the pandemic. The business still has a responsibility to society, employees, and other stakeholders (Manuel & Herron, 2020), however, they must face problems in financial wealth due to the pandemic. The business could have engaged in CSR during the pandemic in many ways, such as emphasizing the pragmatic/commercial interest, performing CSR because of deontology/obligation, putting the protection for the shareholders first, pleasing the society in general and vulnerable in particular, or maintaining the stewardship relations of companies with customers and communities (Mahmud, Ding, & Hasan, 2021; Manuel & Herron, 2020; Sanchez & Sanchez, 2020).

The question is whether the CSR during the pandemic has different impacts on business with that before the pandemic. Qiu, Jiang, Liu, Chen, and Yuan (2021) revealed that engaging in CSR during the pandemic, especially that for the community, attracts more stakeholder attention than that simply focused on customers and employees. Despite the pandemic, CSR for the community implies the company's concern to wider stakeholders. Besides, it affects a milder drop in stock prices (Ding, Levine, Lin, & Xie, 2020).

Moreover, Delbard (2020) explored how CSR helps the business react to the pandemic, in the short-term and long-term. The stock price is an example of a short-term effect. As for the long-term effect, companies will be more viable to maintain the long-term vision and also commit to stakeholders during this difficult circumstance. This effort will make them stronger in the future. Besides, the pandemic has lessons to teach the companies to identify and contribute to urgent social and environmental issues which directs to the more authentic CSR (He & Harris, 2020). This underlines the importance of CSR despite the pandemic. Although it cannot preserve the shareholders' wealth (Bae et al., 2020), a high CSR performance before the pandemic could maintain companies' stability with fewer losses, and help them to adapt and recover from the crisis much faster (Huang, Chen, & Nguyen, 2020).

## **RESEARCH METHOD**

CSR indicators for the questionnaire consist of three dimensions, namely economic, social, and environmental dimensions (Chahal & Sharma, 2006; Russo & Tencati, 2009). However, this study provides several adjusted or additional statements of CSR as it focuses on restaurants' CSR implementation during the pandemic. Table 1 below presents the questionnaire structure.

**Table 1. Questionnaire Statements**

<b>Category</b>	<b>Items/Statements</b>
Demographic	<ul style="list-style-type: none"> <li>• Name (optional)</li> <li>• Gender</li> <li>• Ages</li> <li>• Education</li> <li>• Company name and address</li> <li>• Position of the person filling out the questionnaire</li> </ul>
Company Profile	<ul style="list-style-type: none"> <li>• Operation period</li> <li>• Branch availability</li> <li>• Type of business</li> <li>• Decision-making type between head office and branches</li> </ul>
Understanding about CSR	<ul style="list-style-type: none"> <li>• Description of the owner/manager's understanding of CSR</li> <li>• CSR program availability</li> </ul>
Form of CSR:	
<ul style="list-style-type: none"> <li>• Economic Dimension</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of health protocol (washing hands, temperature check, mask, social distancing, table cleaning after use)</li> <li>• Product cleanliness (masks used by the chef and waitress)</li> </ul>
<ul style="list-style-type: none"> <li>• Social Dimension</li> </ul>	<ul style="list-style-type: none"> <li>• Employee's sick leave</li> <li>• Social assistance of health equipment or staple food ingredients</li> </ul>
Differences in performing CSR before (the year of 2018 and 2019) and during pandemic (the year of 2020)	CSR form, quantity, and quality

The yes/no and open questions about the CSR practice during pandemic aims to gather more information about the change of CSR programs (KPMG, 2020). Companies adjust the CSR programs to respond the society's needs during the pandemic, arrange their working hours, create a safe environment for the employees and customers, and provide quarantine room in hotels for infected people (Katsadze & Milojevic, 2020; Rahmadian & Ediaty, 2020).

The subjects of this study are restaurants (food and beverage businesses) in Malang. The questionnaires were distributed directly to the restaurant managers or owners. A total of thirty questionnaires were obtained randomly. Interviews were also conducted to confirm the result of the survey. The data were analyzed descriptively by tabulating the CSR implementation and describing the results.

## **RESULTS AND DISCUSSION**

### **CSR Perception of Food and Beverage Companies in Malang**

Based on the survey, 50% of 30 respondents have not known yet about CSR. It was because of the lack of the leaders' and the employees' knowledge about CSR (Sugiyanto, Widowati, & Wijayanti, 2018; Zikrullah, Nuringwahyu, & Hardati, 2020). This knowledge inadequacy leads to less CSR application towards the social environment. Several companies perceived that CSR is applied by doing various beneficial programs (Jamali Lund-Thomsen, & Jeppesen, 2017; Sugiyanto et al., 2018). The followings are their statements about CSR.

*"The CSR is a form of company social concern for employees, society, and the environment".*

*"CSR is an effort which concerns about the impact towards the society as well as the environment".*

*"The CSR is a business approach which contributes to the development by providing economic, social, and environmental benefits".*

### **Company Social Responsibility for Consumers in 2020**

Companies may give various CSR programs to a society based on their abilities (Pastrana & Sriramesh, 2014; Costopoulou, Ntaliani, & Ntalianis, 2019). Based on the research finding, in 2020 mostly food and beverage companies in Malang have carried out their social responsibilities, such as by having consumers wash their hands and wear masks before entering the restaurant, having the employees arrange the distance among tables and limit the total visitors for one table, cleaning the table with disinfectant, spraying the disinfectant regularly, applying the Standard Operating Procedures (SOP) consistently, and having the chefs and waitress wear masks while cooking and serving the foods. Moreover, there is a company that also gives masks to visitors for free. The implementation of the health protocols proves that the consumers and employees obey the rules and take part in limiting the spread of covid-19 infections. The following are their statements about CSR for consumers.

*We are applying health protocol and supervising the whole operational activities. To keep the consumers' safety, the company's director makes a strict leave for the employees who want to travel out of town.*

*We apply the SOP in the working environment, keep the quality and quantity and good service for the consumers.*

### **Company Social Responsibility for Employees in 2020**

As to employees, there was a company that provides training and counseling for employees about the health protocol service. Besides, most companies make strict rules for the employees who need to travel out of town, such as for medical check-up, and self-quarantine after traveling. Companies also are easier to give sick leaves to employees with influenza and cough symptoms, to ensure all employees' health. The following are their statements about CSR for employees.

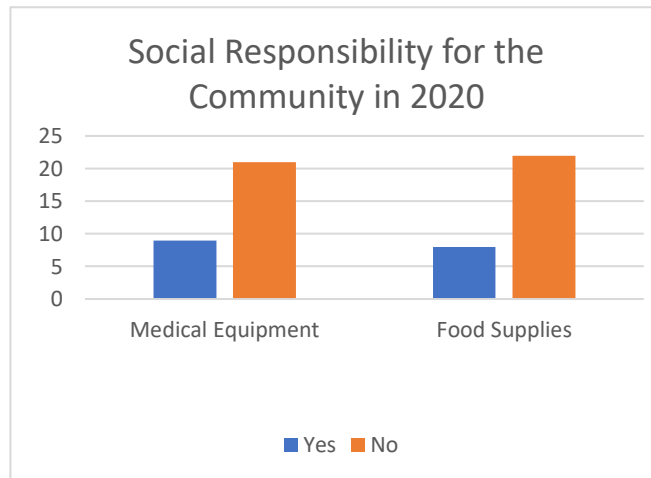
*If it is urgent, the employee should take rapid test and self-quarantine, moreover, the company also limit the working hours.*

### **Company Social Responsibility for the Community in 2020**

Company social responsibility is a sustainable commitment of an organization to, one of which, the environment (Emma & Ping, 2015; Gao, 2011). This environmental responsibility is a must since it is a basic obligation for the companies in running their



business. Figure 1 below shows CSR in the form of medical equipment and food supplies in 2020.



**Figure 1. CSR Data**

Figure 1 indicates that 50% of the companies have not conducted any social responsibility for the community. They mostly give attention more to the consumers and the employees. Only nine companies provided health equipment and eight companies distributed foods and funds for the surrounding community. It is far from satisfactory. CSR for the community is important to build the public good perception of their social responsibility.

#### **Forms of Company Social Responsibility in 2018 and 2019**

The companies provided Various forms of CSR such as by were providing food supplies for the community, giving funds to support community events and for underprivileged people, arranging routine training for employees, conducting annual national charity events for a disaster-affected area, giving foods for consumers in the fasting month, giving bonuses for employees, maintaining the SOP for business' activities, managing waste properly, and providing discounts for consumers who fast every Monday and Friday. These various forms of CSR show that most of the companies were aware of their responsibility.

However, some companies have not conducted any CSR programs by giving the reason that they have just started the companies and other reasons. All companies should do their responsibility to give CSR to society and the environment. The following are their statements about CSR in 2018 and 2019.

*The company has not done CSR yet.*

*The company protects the employees by giving health insurance (BPJS). The company always takes care of the cleanliness, especially in the kitchen, and it has SOP which regulates the business activities.*

*The company gives the best service for the consumers, health insurances, has SOP, and manages waste well.*

#### **The Difference of Giving CSR in 2020 with the Previous Years**

Based on the findings, most food and beverage restaurants in Malang adjust the CSR with the covid-19 condition and increase the service quality. The increase of the CSR

quality from year to year shows that the companies fulfilled the responsibility to stakeholders (Costopoulou et al., 2019; Stoian & Gilman, 2017), especially for consumers, employees, and the surrounding community. They provided excellent services to consumers by obeying the health protocols, increasing alms, distributing foods, masks, and vitamins, providing training for employees, and giving leaves for sick and traveling employees. The adjusted and upgraded form of CSR confirms that CSR during a pandemic will be different from that before the pandemic, whereas the CSR quality will be better and more suitable with the needs of society.

Besides, these findings are in line with Emma and Ping (2015), and Jamali et al., (2017) finding that the increase of CSR quality brings good impacts on companies. In addition, it increases the companies' quality in the long term. The following are their statements about the differences between CSR before and after the Covid-19 pandemic.

*CSR always increases company quality depending on the needs and time.*

*Our company follows the SOP as consistently as possible. However, in 2020 the company's responsibility, especially in applying health protocol must be increased.*

## **CONCLUSIONS**

During the pandemic, food and beverage companies in Malang consistently conducted their CSR with more quantities and different forms than before the pandemic. They implemented the health protocols inside the restaurant, maintained the product cleanliness by wearing masks, gave more attention to the employees by providing sick and travel leave, and increased more alms by distributing masks and vitamins. These findings confirm CSR's positive effect in the long term to improve company quality as it is more suitable with the needs of society affected by the pandemic.

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